



Mutual Funds - Future Of Mutual Funds In Indian Market:

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Abstract:

This research paper provides an overview of the mutual fund industry in India, including its various aspects such as history, growth, types, advantages, and challenges. The mutual fund industry has experienced significant growth in recent years. Over a period of time it has been equipped with a diverse range of products and professional management. However, the industry faces many challenges such as lack of awareness, regulatory changes, market volatility, and lack of transparency. The paper concludes that the mutual fund professional or companies need to address these challenges and work towards increasing investor awareness and confidence to sustain the growth of the industry in the long term particularly in India.

Keywords:

Investor awareness, Mutual Fund, Market volatility, Regulatory changes, Professional management.

1. Introduction

A Mutual fund is an investment fund where money is pooled by various people (investors) and is managed by a professional fund manager. The funds can be invested in many categories such as stocks, bonds, and short-term debt. It has become a one of the popular investment option among Indian investors due to their potential for high returns and diversification. The mutual fund industry in India has experienced significant growth in recent years. It has emerged as an important segment of the Indian financial market. This research paper will provide an overview of mutual funds in India, including their history, growth, types, advantages, and challenges.

2. Research Questions

The purpose of this research is to study and investigate the following research questions.

- What is Mutual Fund
- History of mutual fund
- Types of mutual fund
- Growth of mutual fund
- Advantages and challenges of mutual fund

3. Literature Review

Year 1963 marks the beginning of Mutual fund . The Unit Trust of India (UTI) was the first to launch mutual funds. It was a joint initiative between the RBI and the Government of India.

The mutual fund history in India has five distinct phases as follows –

A. 1st Phase (1964 – 1987)

On the basis of the Parliament Act 1963, the mutual fund industry was started with the establishment of Unit Trust of India (UTI). It functioned under the regulatory and administrative control of RBI. Subsequently, UTI was separated from RBI in 1978. Industrial Development Bank of India took control of the administrative and regulatory control in place of RBI. By the year 1988, UTI had Rs.6700 crores assets under management (AUM).

B. 2nd Phase (1987 – 1993)

The second phase in history of mutual fund embraced the coming of public sector banks. In 1987, several public sector mutual funds were established by public sector banks, Life Insurance Corporation of India (LIC) and Insurance Corporation of India (GIC). SBI Mutual Fund was the first non-UTI Mutual Fund which started in June 1987. Subsequently, Canara Bank started Canara Bank Mutual Fund in December 1987. Similarly, many other bank's mutual funds came into existence, such as –

Punjab National Bank Mutual Fund in August 1989, Indian Bank Mutual Fund in November 1989, Bank of India Mutual Fund in June 1990, Baroda Mutual Fund in October 1992, etc.

By the end of 1993, the total asset under mutual fund industry was Rs.47,007 crores.

C. 3rd Phase (1993 – 2003)

The entry of private sector mutual fund was in year 1993. It opened up investors a wide variety choice of funds.

With the establishment of SEBI in April 1992, the Indian Securities Market gained importance. In 1993, the first set of SEBI Mutual Fund regulations was initiated for all mutual funds except UTI. The mutual fund industry currently governed under SEBI Regulations 1996.

The number of mutual funds have increased drastically over a period of time. Many foreign sponsors have also settled up a couple pf mutual fund in India. The MF industry witnessed several acquisitions and mergers during this phase. By the end of January 2003, a total of 33 mutual funds with total assets of Rs.1,21,805 crores, among which UTI alone had an AUM of Rs.44,541 crores.

D. 4th Phase (February 2003 – April 2014)

In February 2003, UTI was bifurcated into two distinct organisation after UTI act was provoked. First, Specified Undertaking of Unit Trust of India (SUUTI) was formed which is governed under an administrator and regulations established by government. It is not associated with the authority of Mutual Fund Regulations.

Second, UTI Mutual fund carved out of Unit Trust of India, which functions under SEBI MF regulations from February 1, 2003.

When global recession hit in 2009, the global financial markets were at an all-time low, and so was India. The majority of investors who put their money when market was good suffered huge losses. The investor approach towards mutual fund became speculative. The MF industry struggled to recover from the adversities or setbacks and the structure was revamped over 2 years. The situation was deteriorated with SEBI abolishing entry load and repercussions of the economic crisis. All the aspects led to decline in growth of mutual funds in this phase.

E. Existing Growth of Mutual Funds (May 2014- Present)

Identifying the lack of potential of mutual funds in India, particularly in Tier II and Tier III cities, SEBI introduced many measures in Sept 2012. The reason behind these steps was to inculcate more transparency and security for the benefit of all stakeholders. During the course, many counter-measures were taken to counter the negative trend because of the global financial crisis. However, the situation improved significantly after the new government was formed at the centre.

2. Theory

Types of mutual fund in India

There are several types of mutual funds available in India, catering to the diverse investment needs of investors. Some of the popular types of mutual funds in India include:

1. **Equity Funds:** Equity funds invest primarily in stocks and offer high returns over the long term.
2. **Debt Funds:** Debt funds invest in fixed-income securities such as bonds and offer stable returns with low risk.
3. **Hybrid Funds:** Hybrid funds invest in both equity and debt instruments, providing a balance between returns and risk.
4. **Index Funds:** Index funds track the performance of a specific market index, providing returns that are in line with the overall market.

Advantages of Mutual Funds in India

1. **Professional Management:** Mutual funds are managed by experienced fund managers who use their expertise to make investment decisions.
2. **Diversification:** Mutual funds invest in a diversified portfolio of securities, reducing the risk of loss.
3. **Liquidity:** Mutual fund units can be easily bought or sold, providing liquidity to investors.
3. **Flexibility:** Mutual funds offer various investment options and allow investors to switch between funds depending on their investment goals.

Challenges Facing Mutual Funds in India

- ✓ **Lack of Awareness:** Many investors in India are not aware of mutual funds and their benefits, leading to low penetration in the market.
- ✓ **Regulatory Changes:** Changes in regulations can have a significant impact on the mutual fund industry, leading to uncertainty among investors.
- ✓ **Market Volatility:** Fluctuations in the stock market can lead to volatility in mutual fund returns, affecting investor confidence.
- ✓ **Lack of Transparency:** The lack of transparency in the mutual fund industry can erode investor trust and confidence.

4. Methodology of the paper

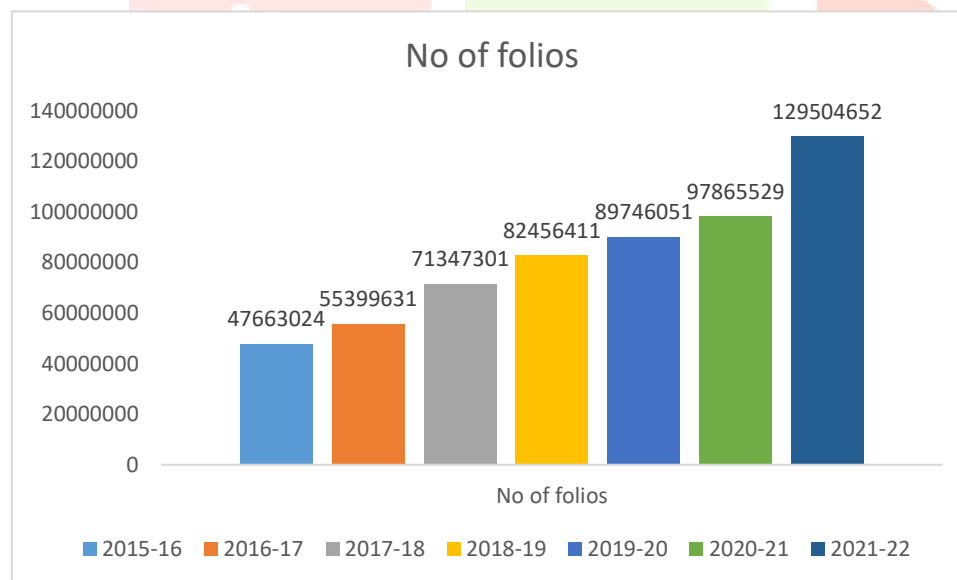
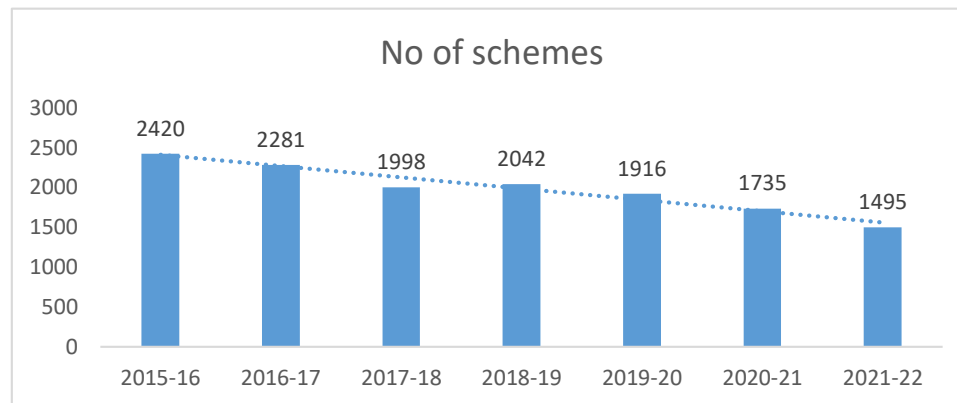
This research paper on the future of mutual funds in India is primarily based on primary as well as secondary data analysis approach. The research involved the collection and analysis of existing data, literature, reports, and studies on the mutual fund industry in India. The primary sources of data included research articles, academic papers, industry reports, and government publications. The literature search was conducted using various academic databases such as Google Scholar, JSTOR, and ProQuest. The search terms used included "mutual funds in India," "growth of mutual funds in India," "types of mutual funds in India," "advantages of mutual funds in India," and

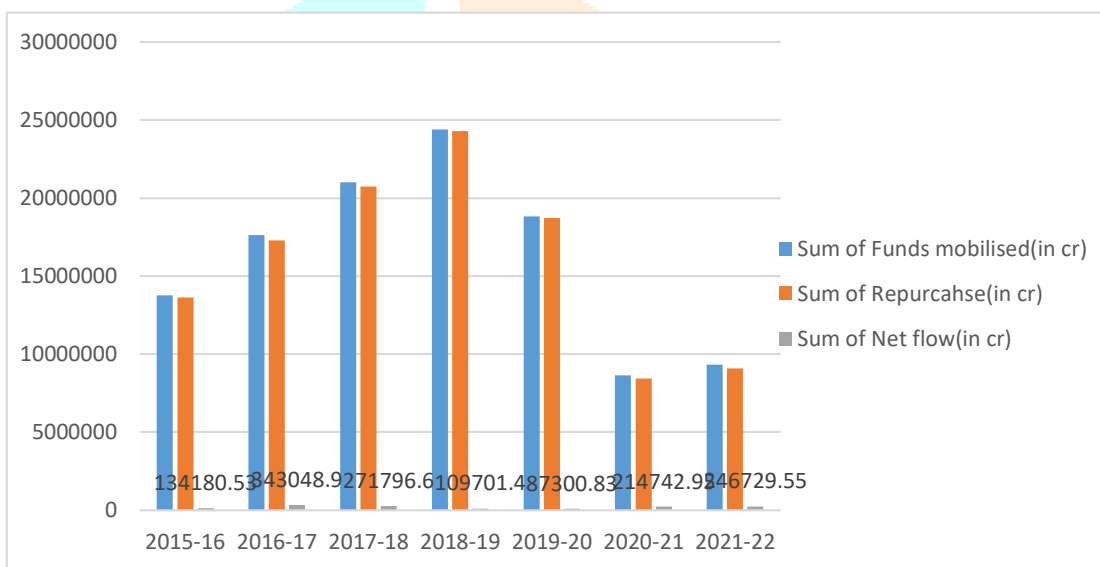
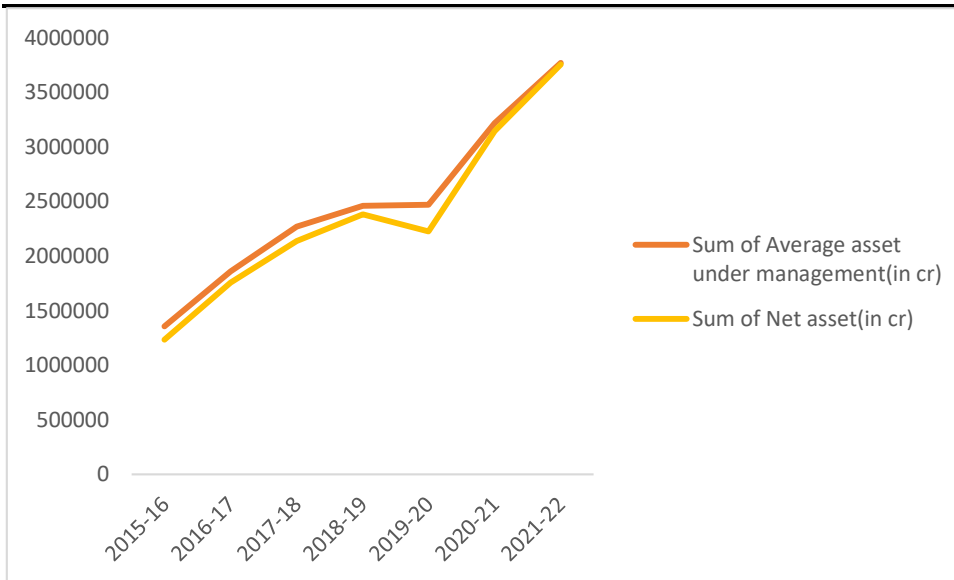
"challenges facing mutual funds in India." The inclusion and exclusion criteria were set to ensure that the studies and reports selected were relevant to the research questions and objectives.

The collected data was analyzed using a content analysis approach. The analysis involved identifying and categorizing the key themes, trends, and patterns in the literature. The analysis also involved comparing and contrasting the findings from different studies and reports to identify the similarities and differences in the research.

This study provides a comprehensive overview of the mutual fund industry in India, including its growth, types, advantages, and challenges. The study contributes to the existing body of literature on mutual funds in India and provides insights for future research and policy-making in the industry.

5. RESULTS





6. Discussion

Our analysis revealed that there is a linear growth in the number of folios. While the scheme diversity is decreasing which suggests that it becomes more easier for customers since many of the schemes are merged and evolved as one. The net asset is continuously increasing which suggests reliability of the mutual funds. Funds mobilized is almost equivalent to repurchase which shows market demand and stability. Repurchase data suggests that the companies are sure of its capabilities regarding its future performance. These has been a positive net flow every which suggests customer profit. Hence, all the positive signs suggest that reliability, accuracy and validity of mutual fund has grown over time and hence the customer interest. This has ultimately lead to the growth in the acquirement demand of the mutual funds.

The mutual fund industry in India has experienced significant growth in recent years. As of January 2023, the assets under management (AUM) of the mutual fund industry in India stood at Rs. 42.78 lakh crore. The industry has grown at a compound annual growth rate (CAGR) of 16.8% over the past five years, indicating a strong demand for mutual funds among Indian investors.

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